

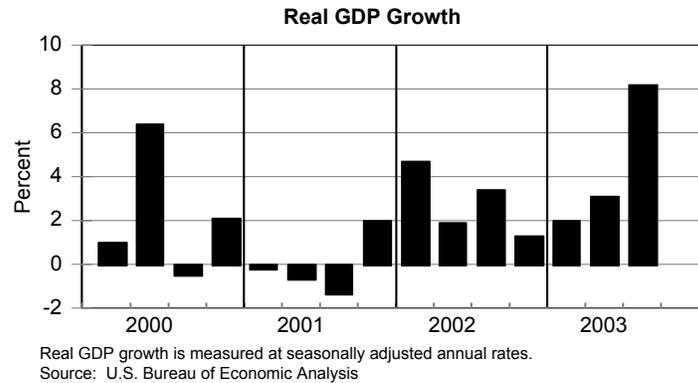


ECONOMIC GROWTH SURGED IN THE THIRD QUARTER

Revised estimates of GDP and profits

Estimates released today by the U.S. Bureau of Economic Analysis confirm that in the July-September period U.S. economic growth surged, profits increased, and inflation was moderate.

Gross domestic product (GDP), the most comprehensive measure of U.S. economic activity, is estimated to have increased at an inflation-adjusted annual rate of 8.2 percent in the third quarter, the same rate as was shown in last month's "preliminary" estimate for the quarter. A modest upward revision to consumer spending offset a modest downward revision to inventory investment.



- In the third quarter, consumer spending on durable goods, on nondurable goods, and on services were all stronger than in the second quarter. A jump in real disposable income—largely reflecting the lower withholding rates and the advance payments of child tax credits associated with this year's tax cut—helped finance the step-up in spending.
- Business investment in equipment and software increased about twice as much as in the second quarter; investment in structures, however, decreased a little after a small increase.
- Residential investment posted its biggest increase in 11 years. Single-family and multifamily construction and brokers' commissions on house sales all were stronger than in the second quarter.
- An improvement in the trade balance reflected a bigger increase in exports than in imports.
- Businesses liquidated inventories at a slightly faster pace than in the second quarter.
- Government spending increased modestly, mainly on the basis of construction spending by states and localities. Federal defense spending decreased slightly after increasing sharply in the second quarter.

Corporate profits increased about 10 percent (quarterly rate) in the third quarter; they had posted a similar increase in the second quarter. Third-quarter profits were 25 percent higher than a year earlier.

Prices paid by U.S. residents increased 1.8 percent in the third quarter after increasing only 0.4 percent in the second. The step-up partly reflected an upturn in energy prices.

BEA's data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states and industries—are available on its Web site: <www.bea.gov>.

NOTE: The "advance" estimate of GDP for the fourth quarter of 2003 will be released on January 30, 2004.

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